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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 5, 2001

APPLICATION OF

BARC ELECTRIC COOPERATIVE

CASE NO. PUE010002

For a Functional  
Separation Plan

ORDER PRESCRIBING NOTICE AND INVITING  
COMMENTS AND REQUESTS FOR HEARING

Section 56-590 of the Virginia Electric Utility Restructuring Act ("the Act"), Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia directed incumbent electric utilities to submit proposed functional separation plans to the Virginia State Corporation Commission ("the Commission") by January 1, 2001. That statute also required the Commission to promulgate rules and regulations in furtherance of the statute's provisions "to the extent necessary to promote effective competition in the Commonwealth."

On October 19, 2000, the Commission adopted in Case No. PUA000029, "Regulations Governing the Functional Separation of Incumbent Electric Utilities Under the Virginia Electric Utility Restructuring Act." These regulations are intended, among other things, to aid incumbent electric utilities required to functionally separate their generation, transmission and

distribution services by January 1, 2002, in the submission of their applications for such purpose to the Commission by January 1, 2001.

On December 29, 2000, BARC filed its application for a plan for functional separation pursuant to the Act. It noted in its application that it does not propose to transfer or sell any assets or liabilities to a functionally separate entity or third party at this time. It represents that it filed a cost of service study with its rate application in Case No. PUE000232, and requests that the Commission waive the requirements of 20 VAC 5-202-40 B 7, for a cost of service study to be filed with an incumbent electric utility's plan for functional separation. BARC also noted that its cost of service study reflects a test year commencing prior to January 1, 1999, contrary to the directive of 20 VAC 5-202-40 B 7 a. BARC requests a waiver of this aspect of 20 VAC 5-202-40 B 7 a.

BARC also noted that it was not filing unbundled tariffs, rates, or terms and conditions with its application. It explained that its proposed unbundled tariffs, rates, and terms and conditions of service were filed with its rate application docketed as Case No. PUE000232. BARC requested that the Commission waive the requirement of 20 VAC 5-202-40 B 8 that the proposed unbundled rates, tariffs, terms and conditions be submitted with the filing of its plan, and accept the

information filed in Case No. PUE000232 for purposes of its functional separation filing.

NOW, UPON consideration of the Cooperative's application, the applicable statutes, and BARC's requests for waiver, the Commission is of the opinion and finds that this matter should be docketed; that BARC should be given an opportunity to file supplemental testimony in support of its application; that public notice of the application should be given and interested persons should have the opportunity to comment and request a hearing on BARC's application; and that the Commission Staff should file a report on the Cooperative's application and the reasonableness of the proposals set out therein.

With regard to BARC's requests to waive 20 VAC 5-202-40 B 7 and 8, and to accept and adopt the cost of service study filed in Case No. PUE000232, we note that as recognized in our Final Order entered in Case No. PUA000029,<sup>1</sup> the cost of service study is an important part of an application for functional separation. Such studies provide information essential to the unbundling of utilities' rates for purposes of determining unbundled generation rates to be utilized in calculating wires charges for shopping customers pursuant to § 56-583 of the Act,

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<sup>1</sup> Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: In the matter concerning the functional separation of incumbent electric utilities under the Virginia Electric Utility Restructuring Act, Case No. PUA000029, Doc. Con. Center No. 0010400152, at 7 (Oct. 19, 2000 Final Order).

and the unbundled distribution and transmission rates to be utilized during the capped rate period under § 56-582 of the Act.

Further, we note that a public hearing has been held on the Cooperative's rate application (Case No. PUE000232) and that the cost of service study submitted in that case supported both the bundled tariffs filed by the Cooperative and made effective on January 1, 2001, and the unbundled tariffs that were filed and designated as "illustrative rates" in that proceeding. In order to facilitate the "public interest" review of BARC's plan and the public's scrutiny of BARC's entire plan, and recognizing the importance of a cost of service study and unbundled tariffs in our consideration of an incumbent electric utility's functional separation plan, we will direct BARC to file its cost of service study, the testimony, and the unbundled rates and terms and conditions of service supporting its proposed functional separation plan in this docket. In this way, interested members of the public who wish to focus on BARC's functional separation plan rather than its rate application may do so more easily. Further, we will invite interested parties, including Staff, to file their comments on the Cooperative's request that it be permitted to utilize a test period commencing prior to January 1, 1999, in its cost of service study to be filed in this case.

Accordingly, IT IS ORDERED THAT:

(1) This matter be docketed and assigned Case No. PUE010002.

(2) On or before March 1, 2001, BARC shall file in this docket with Joel H. Peck, Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, an original and twenty (20) copies of the cost of service study it intends to rely upon to support its functional separation application, together with the unbundled tariffs, rates, terms and conditions derived from that study.

(3) On or before March 1, 2001, the Cooperative shall make available copies of its application, prefiled testimony, and other accompanying documents filed in this matter for public inspection in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. BARC shall promptly make a copy of its application and supporting materials available to the public who may obtain a copy of the application by requesting a copy of the same from BARC's counsel at the following address: John A. Pirko, Esquire, and Robert A. Omberg, Esquire, LeClair Ryan, P.C., 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060.

(4) On or before June 15, 2001, any interested person wishing to comment on BARC's application, or its request for a

waiver of 20 VAC-5-202-40 B 7 a's requirement that the Cooperative employ a test year beginning no earlier than January 1, 1999, in the cost of service study supporting its functional separation application, shall file an original and five (5) copies of written comments and/or any request for hearing with the Clerk of the Commission at the address set out in Ordering Paragraph (2) herein, and shall refer to Case No. PUE010002. Any request for hearing shall identify the factual issues likely to be in dispute upon which hearing is sought, together with the evidence expected to be introduced at any hearing convened by the Commission. If no sufficient request for hearing is received, the Commission may consider BARC's application based upon the written pleadings and comments filed herein without convening a hearing at which oral testimony is received.

(5) Any person filing comments or a request for hearing shall mail a copy of the same on or before June 15, 2001, to counsel for the Cooperative at the address set out in Ordering Paragraph (3) herein.

(6) The Commission Staff shall review the captioned application and supporting documents and shall file with the Clerk of the Commission, on or before July 6, 2001, a report on the same and shall mail a copy of said report to the Cooperative's counsel.

(7) BARC shall respond to written interrogatories within ten (10) calendar days after receipt of the same. Except as modified above, discovery shall be in accordance with Part VI of the Commission's Rules of Practice and Procedure, 5 VAC 5-10-450 et seq.

(8) On or before March 1, 2001, BARC shall cause the following notice to be published as display advertising (not classified) in the May publication of Cooperative Living:

NOTICE TO THE PUBLIC OF AN APPLICATION BY  
BARC ELECTRIC COOPERATIVE, FOR A  
FUNCTIONAL SEPARATION PLAN  
CASE NO. PUE010002

On December 29, 2000, BARC Electric Cooperative ("BARC" or "the Cooperative") filed pursuant to § 56-590 of the Virginia Electric Utility Restructuring Act ("the Act") an application with the State Corporation Commission concerning the Cooperative's plan for functional separation pursuant to the Act. In its application, BARC proposes to separate or functionally unbundle its distribution costs of providing electric service from its generation costs of providing service. BARC advises that it does not propose to transfer or sell any assets or liabilities to a functionally separate entity or third party at this time.

BARC requests a waiver of 20 VAC 5-202-40 B 7 and 8 of the Commission's Regulations Governing the Functional Separation of Incumbent Electric Utilities Under the Virginia Electric Utility Restructuring Act ("Functional Separation Rules") adopted in Case No. PUA000029. These regulations require applications for functional separation to include a cost of service study using a test period no earlier than

January 1, 1999, and unbundled tariffs, rates, terms and conditions with the application. BARC advises that it filed a cost of service study using a test year commencing before January 1, 1999, and its unbundled tariffs, rates, and terms and conditions of service in its rate application docketed as Case No. PUE000232. It asks the Commission to waive the requirements of the Functional Separation Rules and to accept its cost of service study and unbundled tariffs, rates, and terms and conditions of service filed in Case No. PUE000232 for purposes of this filing.

The Commission has directed BARC to file the cost of service study and unbundled tariffs, rates, terms and conditions it proposes in support of its application for functional separation in the docket assigned to its functional separation application, Case No. PUE010002, and has requested that interested parties comment on whether the Cooperative should be permitted to employ a cost of service study employing a test year commencing prior to January 1, 1999, and thus be granted a waiver of 20 VAC 5-202-40 B 7 a that requires a test year commencing no earlier than January 1, 1999.

A copy of BARC's application is available for inspection during regular business hours at the State Corporation Commission, Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. Interested persons may obtain a copy of the application by requesting a copy of the same in writing from BARC's counsel at the address noted below.

Any interested person wishing to comment on BARC's application for a functional separation plan, or on the Cooperative's request for a waiver of 20 VAC 5-202-40 B 7 a and permission to



employ a test year beginning no earlier than January 1, 1999, in the cost of service study supporting its application, shall file an original and five (5) copies of the written comments and/or request for hearing on or before June 15, 2001, with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall refer to Case No. PUE010002. Any request for hearing shall identify the factual issues likely to be in dispute upon which the interested person seeks a hearing, together with the evidence expected to be introduced at any hearing convened by the Commission. If no sufficient request for hearing is received, the Commission may consider BARC's application based upon the written pleadings and comments filed in this matter and without convening a hearing at which oral testimony is received.

Any person filing comments or a request for hearing shall mail a copy of the same on or before June 15, 2001, to counsel for the Cooperative, John A. Pirko, Esquire, and Robert A. Omberg, Esquire, LeClair Ryan, P.C., 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060.

All correspondence regarding this application shall refer to Case No. PUE010002, and should be directed to Joel H. Peck, Clerk of the Commission, at the address set forth above. Interested persons should review the Order Prescribing Notice and Inviting Comments and Requests for Hearing for detailed instructions on discovery and further participation in the proceeding.

#### BARC ELECTRIC COOPERATIVE

(9) BARC shall forthwith serve a copy of this Order on the Chairman of the Board of Supervisors and county attorney of any

county and upon the Mayor, manager, and attorney of any county, city, or town (or on equivalent officials in counties, towns, and cities having alternate forms of government) in the Cooperative's service territory. Service shall be made by first-class mail or delivery to the customary place of business or residence of the person served.

(10) On or before July 20, 2001, the Cooperative and any interested person may file with the Clerk of the Commission any response to the Staff's Report.

(11) On or before July 31, 2001, BARC shall file with the Clerk of the Commission proof of the notice required in Ordering Paragraphs (8) and (9) above.